

April 19, 2021

Commissioners Court
County of El Paso, Texas
500 E. San Antonio
El Paso, Texas 79901

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County of El Paso, Texas (the County) for the year ended September 30, 2020. We did not audit the financial statements of the discretely presented component units, those statements were audited by other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, the Uniform Guidance, and the State of Texas Uniform Grant Management Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 27, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the County implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, in fiscal year 2020. Accordingly, the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position are presented in accordance with this statement. In addition, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was implemented in fiscal year 2020. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

1. Management's estimate of the allowance for doubtful accounts for taxes is based on historical collection rates and management's analysis of the collectability of the accounts.
2. Management's zero (\$0) estimate of the allowance for uncollectible "accounts receivables" is based on management's opinion that an allowance for doubtful accounts is not necessary for fair presentation.
3. Management's estimate of the depreciation is based on estimated useful lives of the related assets.

4. Management's estimate of the amortization of bond premiums and deferred loss/gain on refunding is based on the life of the debt.
5. Management's estimate of open health care claims is based on the third-party administrator's lag report.
6. Management's estimate for claims and judgments, which consists primarily of Workers Compensation open claims, is based on incurred and paid claims current year data provided by third party administrators as well as prior years' claims history.
7. Management's estimate of the contingent liabilities associated with ongoing litigation is based on legal counsel opinions and past experience.
8. Management's estimate of the arbitrage payable is based upon the calculation provided by the arbitrage compliance specialist.
9. Management's estimate for accrued wages is based on each employee's salary for the number of days that have been earned and not yet paid by the County as of September 30, 2020.
10. Management's estimate of the total costs of services yet to be performed for construction projects under non-cancellable contracts is based on the related contracts and any applicable change orders.
11. Management's estimates of the total other post-employment benefits (OPEB) liability and deferred inflows and outflows of resources related to OPEB are based upon the actuarial valuation provided by a third party.
12. Management's estimates of the County's share of the net pension liability and the related deferred inflows and outflows of resources related to the Texas County and District Retirement System (TCDRS) and the Texas Emergency Services Retirement System (TESRS) are based on estimates provided by TCDRS and TESRS.
13. Management's estimate of the accumulated unpaid leave benefits payable is based upon the historical experience rate of vacation and sick leave taken, and the number of days accrued. In addition, the current portion due is based upon a historical average used in a year.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 19, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit, we became aware of certain matters that we believe are opportunities for strengthening internal controls and operating efficiency. As part of our audit, we also review prior year's comments and provide a status based on our testing as well as inquiry of management. Please see the attached schedule for the status of prior year comments as well as the current year comments.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, and required supplementary information (RSI) as listed in the table of contents which supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information as listed in the table of contents which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Commissioners Court and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "C Rudbeck Patten CCC". The signature is written in a cursive style with a large initial "C" and a long horizontal stroke at the end.

Prior Year Comments

Cash Disbursements

1. **Observation:** We noted that a number of purchases were made from one company, but the related payments were recorded to two separate active vendors with different EINs. We recommended that the vendor files be examined for duplicate and/or expired vendor files and that payments be reviewed for agreement to the appropriate vendor information on the respective invoice to avoid duplicate payments.

Status: No similar instances were noted in the current year. Accounts Payable division staff review vendor remittance information, payee name and address, comparing PO against invoice, prior to processing invoices for payment. Deviations are brought to the attention of AP accountants responsible for maintaining vendor files in Tyler Munis. Cash Management division staff also review invoice remittance information against the actual check remittance prior to mailing. Furthermore, only two AP accountants have Tyler Munis access to the vendor file, establishing new vendors and modifying information for existing vendors. The Munis vendor file is reviewed on a quarterly basis for potential duplicate vendors, separate vendors with the same EIN, in conjunction with the 1099s reconciliation process.

Procurement

2. **Observation:** While performing our tests over the procurement system, we noted that two contracts had expired approximately three months prior to the award of a new bid which could have resulted in the County's temporary inability to obtain necessary goods and services. We recommended that a schedule of contract expiration dates be established along with the date when the procurement process should be started to replace the existing contract.

Status: We noted improvement in this area.

3. **Observation:** The State purchasing laws require that Commissioners Court approve the County's participation in each purchasing cooperative. However, we were not provided with the approval dates and documentation for participation in certain purchasing cooperatives. We recommended that documentation is maintained of the Commissioners Court approval for participation in each purchasing cooperative.

Status: Similar situation was noted in the current year. See current year comment #3.

4. **Observation:** We noted that for three Sole Source vendors, evidence was not provided that the Sole Source determination was properly documented in the Commissioners Court minutes as required by the Texas Local Government Code, Section 262.024(c). We recommended that management ensure the appropriate steps be taken to ensure that the County is in compliance with applicable laws related to Sole Source providers.

Status: Similar situation was noted in the current year. See current year comment #2.

Current Year Comments

Procurement

1. Observation: While performing our tests over the procurement system, we noted that services for Youth Residential Treatment Services were provided under contracts for which there was no underlying competitive solicitation for the first four months of fiscal year 2020 and contracts under the new solicitation approved on July 22, 2019 did not become effective until February 1, 2020.

Recommendation: We recommend that management ensure that competitive solicitations are performed as required and that contracts are executed timely after the award of a solicitation.

2. Observation: While performing our tests over the procurement system, we noted a Sole Source approval for a contract approved on September 23, 2019 was not obtained until December 2, 2019 and was not obtained for the new contract approved on August 31, 2020.

Recommendation: We recommend that management ensure that any sole source determination be documented and approved prior to or simultaneously with contract approval and for each new contract.

3. Observation: The State purchasing laws require that Commissioners Court approve the County's participation in each purchasing cooperative. However, documentation of Commissioner's Court approval for participation in TxSmartBuy Cooperative was not provided for our review. Additionally, approval of the Cooperative Education Services (CES) Public Educational Institution was not documented in the minutes.

Recommendation: We recommend that documentation is maintained of the Commissioners Court approval for participation in each purchasing cooperative.

4. Observation: Our tests of vendor activity indicated that purchases from one vendor exceeded \$50,000 during the fiscal year, but had not been procured under a proper procurement method and the County's policy requiring three quotes for individual purchases exceeding \$3,000 was not complied with.

Recommendation: We recommend the County ensure that all purchases are procured in accordance with State law and that the County's local policy requiring quotes is properly implemented.

Federal Program Compliance - Coronavirus Relief Fund (CRF), CFDA 21.019

5. Observation: While performing our tests over federal compliance for the CRF, we noted that a subaward agreement of federal funds did not contain the information to the subrecipient required by 2 CFR 200 and that the contract period exceeded the program's period of performance.

Recommendation: We recommend that the contract be amended and that remaining contracts be reviewed to ensure compliance with federal program requirements.

6. Observation: While performing our tests over federal compliance for the CRF, we noted that risk assessments of subawardees of federal funds were performed several months after the execution of the related contract and first payment.

Recommendation: We recommend that risk assessments of subawardees be performed in a timely manner.